



S T A T E O F C A L I F O R N I A

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DMHC Reinstates Coverage for Consumers Wrongfully Rescinded by Health Plans

(Sacramento) -- The Department of Managed Health Care (DMHC) today announced that it is ordering immediate reinstatement for 26 consumers identified as wrongfully rescinded during its investigation into the rescission practices of the five of the largest health plans offering individual coverage in California. The DMHC is also ordering a re-review of all other rescissions over the past four years, which could potentially restore coverage to thousands of Californians.

“Today, for the first time, consumers who have fallen victim to rescission will get a second chance at health coverage,” said Cindy Ehnes, Director of the DMHC. “We are employing our full regulatory and enforcement authority to open the door to insurance once again for thousands of Californians.”

In addition to reinstatement for the 26 consumers, the DMHC is ordering plans to use a fair outside arbiter selected by the DMHC to review every rescission uncovered in the investigations and determine remedies, such as payment of medical care and premiums, for those who are found to have been wrongly rescinded. The DMHC will also protect the right of innocent consumers to pursue any additional remedies and to be made whole. In addition, to ensure a fair process for future enrollees, each plan must immediately institute uniform business practices for rescission.

The DMHC has been investigating the practices of the five largest health plans offering coverage in the individual market in California, and has, to date, fined two health plans -- one for
(more)

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its unfair rescission practices, and one for paying a bonus to its employees for rescinding coverage. Full details of its investigations and potential penalties will be released within the next few weeks.

“We are moving forward now on restoring coverage and give consumers the fair process they are owed as fast as possible,” said Ehnes. “People need their medical bills paid and they need their coverage now!”

In addition to the investigations and fines, the DMHC has taken a number of steps to protect patients from wrongful rescission, including assisting patients who contacted the HMO Help Center to regain their coverage. Working through the courts, the DMHC has challenged a proposed class action settlement that did not provide consumers a chance at reinstatement, and successfully argued to the *Hailey* court to articulate a clear legal framework to determine whether enrollees had been unfairly rescinded.

Any consumer who thinks they may be eligible for a review of their rescission case can contact the HMO Help Center at 1-888-HMO-2219 or at www.hmohelp.ca.gov.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 800,000 Californians resolve their HMO problems through its 24-hour Help Center, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a solvent and stable managed health care system.

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